Finance Cost of Industry

3687. DR. C. SILVERA: Will the Minister of FINANCE be pleased to state:

(a) whether industry has been hit by high finance cost;

(b) if so, the details thereof; and

(c) the steps taken or proposed to be taken by the Government to scale down finance cost of industry?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH): (a) and (b). The increase in the cost of finance interpreted as the increase in interest cost is typically expected to form a relatively small proportion of the total project cost. As such, the increase in interest rate in itself is not expected to seriously affect industrial production.

(c). The present level of interest rates is reflective of the inflationary situation and can be reduced only after inflationary pressures abate. The higher lending rates are expected to bring about general financial discipline, improve productivity and control inventory build up.

Financial Assistance for Minor Irrigation Schemes by NABARD in Karnataka

3688. SHRI G. MADEGOWDA: Will the Minister of FINANCE be pleased to state:

(a) whether the conditions laid down by National Bank for Agriculture and Rural Development for extending credit facility to minor irrigation projects have prevented the implementation of these schemes in Karnataka;

(b) whether the Government of Karnataka has requested the Union Government to liberalise the norms governing the sanction of loans for minor irrigation schemes and also to reduce the interest rate on loans; and

(c) if so, the action taken by the Union Government thereon?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH): (a) to (c). National Bank for Agriculture and Rural Development (NABARD) has reported that they have not laid down any specific condition for extending credit facility to minor irrigation projects which may prevent implementation of the schemes in Karnataka. However, as a general norm no scheme is sanctioned in Dark Blocks and the spacing norms, as per recommendations of State Government, are followed by them in sanction of schemes. Interest rates structure has been modified by Reserve Bank of India on 9th October, 1991. Representations have been received from various sections of the society for reducing the rate of interest on loans provided by scheduled commercial banks, including that of minor irrigation programme. However, there is no proposal at present under consideration to make any changes in the present structure of interest rates to be charged by commercial banks.

Recommendation of Sachar Committee

3689. SHRI PRITHVIRAJ D. CHAVAN: Will the Minister of LAW, JUSTICE AND COMPANY AFFAIRS be pleased to state:

(a) whether the Government propose to accept the recommendations of the Sachar Committee with regard to simplifying the provisions of the Companies Act, 1956 with a view to reduce paper work for small companies;

(b) whether there is also a demand to